

DOWAGIAC HOUSING COMMISSION
DOWAGIAC, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>Dowagiac Township Commission</i>	County
Audit Date <i>9/30/04</i>	Opinion Date <i>5/20/05</i>	Date Accountant Report Submitted to State: <i>6/6/05</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the report of comments and recommendations

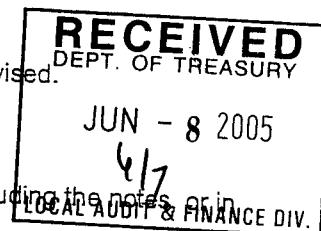
You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <i>Barry B. Gaudetke CPA PC</i>			
Street Address <i>1107 E. 8th Street</i>	City <i>Harmon MI</i>	State <i>MI</i>	ZIP <i>49826</i>
Accountant Signature <i>Barry B. Gaudetke CPA</i>			



DOWAGIAC HOUSING COMMISSION
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INTRODUCTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Independent Auditor's Report

Board of Commissioners
Dowagiac Housing Commission
Dowagiac, Michigan

We have audited the accompanying financial statements of the business-type activities of the Dowagiac Housing Commission, Michigan, a component unit of the City of Dowagiac, as of and for the year ended September 30, 2004, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Dowagiac Housing Commission, Michigan, as of September 30, 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6(D), the Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted as of September 30, 2004.
Dowagiac Housing Commission

Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2005, on our consideration of Dowagiac Housing Commission, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis comparison information on pages 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise Dowagiac Housing Commission, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Dowagiac Housing Commission, Michigan. The combining financial statements and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ray E. Taulitt, CPA, PC

May 20, 2005

DOWAGIAC HOUSING COMMISSION
DOWAGIAC, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
September 30, 2004
=====

The Dowagiac Housing Commission, created in 1970, by the City of Dowagiac provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Dowagiac Housing Commission consists of four programs. The first is owned housing, consisting of 86 units of public housing, the second is the capital funding program, the third is the housing choice voucher program consisting of 115 qualifying low-income residents for rental housing, and the Housing Commission also has an agreement with Tri City Village (a nonprofit organization in Watervliet) to collect HUD grant monies to operate 56 low-income units under the Section 8 New Construction Program under Contract C-8077.

Dowagiac Housing Commission had total revenues of \$1,243,024 that includes \$196,465 in rental payments and \$1,039,121 in federal assistance. Total revenues increased by \$110,390 from the prior year, in part, because of federal assistance increasing by \$109,254 and rents increasing by \$17,774 from the prior year. Total operating expenses were \$1,363,232, that includes \$211,930 in administrative expenses, \$91,647 in utilities, \$155,702 in ordinary maintenance and operation, \$696,971 in housing assistance payments, and \$150,296 in depreciation expense. The operating expenses increased by \$23,391, in part, because of higher maintenance costs over the prior year.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$1,273,437. The Housing Commission's total net assets decreased by \$120,208 from the prior year. The decrease can be attributed, in part, to the depreciation expense of \$150,296.

Total assets of the Housing Commission were \$1,372,345 and also, there was \$241,743 of current assets and \$95,880 in current liabilities. There was a net decrease in total assets of \$89,417 from the prior year. The decrease is due, in part, because of depreciation expense of \$150,296 was taken.

DOWAGIAC HOUSING COMMISSION
DOWAGIAC, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A) - CONTINUED
September 30, 2004
=====

Financial Highlights (continued)

The Housing Commission's overall financial condition has remained stable.

The Housing Commission during the fiscal year had capital outlays for ranges and refrigerators, site improvements done at Parkside, and building improvements were done. The Housing Commission's capital outlays totaled \$74,426 during the current fiscal year.

The Housing Commission did not have any loan activity during the fiscal year.

There are not any significant currently known facts, decisions or conditions that have an impact on the Commission's operations to disclose.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Revenues, Expenses, and Changes in Fund Net Assets - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

DOWAGIAC HOUSING COMMISSION
DOWAGIAC, MICHIGAN
MANAGEMENT'S DISCUSSION & ANALYSIS (MD & A) - CONTINUED
September 30, 2004
=====

Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended September 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Current assets	\$ 241,743	\$ 255,290	\$(13,547)
Property and equipment	<u>1,130,602</u>	<u>1,206,472</u>	<u>(75,870)</u>
Total assets	<u>\$1,372,345</u>	<u>\$1,461,762</u>	<u>\$(89,417)</u>
Current liabilities	\$ 95,880	\$ 65,232	\$ 30,648
Noncurrent liabilities	<u>3,028</u>	<u>2,885</u>	<u>143</u>
Total liabilities	<u>98,908</u>	<u>68,117</u>	<u>30,791</u>
Net assets:			
Invested in capital assets	1,130,602	906,883	223,719
Unrestricted	<u>142,835</u>	<u>486,762</u>	<u>(343,927)</u>
Total net assets	<u>1,273,437</u>	<u>1,393,645</u>	<u>(120,208)</u>
Total liabilities and net assets	<u>\$1,372,345</u>	<u>\$1,461,762</u>	<u>\$(89,417)</u>

DOWAGIAC HOUSING COMMISSION
DOWAGIAC, MICHIGAN
MANAGEMENT'S DISCUSSION & ANALYSIS (MD & A) - CONTINUED
September 30, 2004

=====

Financial Analysis of the Housing Commission (continued)

The following table of summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Housing Commission for the years ended September 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 177,162	\$ 178,160	\$(998)
Nondwelling rent	<u>19,303</u>	<u>531</u>	<u>18,772</u>
Total operating revenues	<u>196,465</u>	<u>178,691</u>	<u>17,774</u>
Operating expenses:			
Administration	211,930	212,388	(458)
Tenant services	8,573	4,189	4,384
Utilities	91,647	86,481	5,166
Ordinary maintenance and operation	155,702	119,264	36,438
General expenses	48,113	112,221	(64,108)
Housing assistance payments	696,971	656,738	40,233
Depreciation	<u>150,296</u>	<u>148,560</u>	<u>1,736</u>
Total operating expenses	<u>1,363,232</u>	<u>1,339,841</u>	<u>23,391</u>
Non-operating revenue:			
Interest income	2,460	3,365	(905)
Gain on sale of fixed assets	70	180	(110)
Operating grants	969,566	923,717	45,849
Capital grants	69,555	6,150	63,405
Other income	<u>4,908</u>	<u>20,531</u>	<u>(15,623)</u>
Total nonoperating revenue	<u>1,046,559</u>	<u>953,943</u>	<u>92,616</u>
Change in Net Assets	<u><u>\$ (120,208)</u></u>	<u><u>\$ (207,207)</u></u>	<u><u>\$ 86,999</u></u>

FINANCIAL STATEMENTS

DOWAGIAC HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS
September 30, 2004
=====

ASSETS

Current Assets:

Cash	\$ 192,678
Accounts receivable-HUD	22,256
Accounts receivable-tenants	4,100
Allowance for doubtful accounts	(119)
Accrued interest receivable	18
Investments-unrestricted	16,495
Prepaid expenses	<u>6,315</u>

Total Current Assets	<u>241,743</u>
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Property, Plant, and Equipment:

Land	62,513
Buildings	3,495,065
Equipment	259,472
Building improvements	<u>231,962</u>
	4,049,012
Less: accumulated depreciation	<u>(2,918,410)</u>

Net Property, Plant, and Equipment	<u>1,130,602</u>
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Total Assets	<u><u>\$ 1,372,345</u></u>
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See notes to financial statements

DOWAGIAC HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS (CONTINUED)
September 30, 2004
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 46,193
Tenant security deposit liability	18,107
Accrued expenses	10,821
Deferred revenues	<u>20,759</u>
Total Current Liabilities	95,880
Noncurrent Liabilities:	
Accrued compensated absences	<u>3,028</u>
Total Liabilities	<u>98,908</u>
Net Assets:	
Invested in capital assets	1,130,602
Unrestricted net assets	<u>142,835</u>
Total Net Assets	<u>1,273,437</u>
Total Liabilities and Net Assets	<u>\$ 1,372,345</u>

See notes to financial statements

DOWAGIAC HOUSING COMMISSION
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
Year Ended September 30, 2004
=====

OPERATING REVENUES:

Dwelling rent	\$ 177,162
Non-dwelling rent	<u>19,303</u>
Total operating revenues	<u>196,465</u>

OPERATING EXPENSES:

Administration	211,930
Tenant services	8,573
Utilities	91,647
Ordinary maintenance and operation	155,702
General expenses	48,113
Housing assistance payments	696,971
Depreciation	<u>150,296</u>
Total operating expenses	<u>1,363,232</u>

Operating income(loss)	<u>(1,166,767)</u>
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NONOPERATING REVENUES:

Investment interest income	2,460
Other income	4,908
Gain on sale of fixed assets	70
Capital grants	69,555
Operating grants	<u>969,566</u>

Total nonoperating revenues	<u>1,046,559</u>
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Change in net assets	(120,208)
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Net assets, beginning	1,393,446
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Prior period adjustments, equity transfers and correction of errors	<u>199</u>
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Net assets, ending	<u>\$ 1,273,437</u>
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See notes to financial statements

DOWAGIAC HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS
Year Ended September 30, 2004
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 200,349
Cash payments to other suppliers of goods and services	(972,715)
Cash payments to employees for services	(227,461)
Cash payments for in lieu of taxes	<u>(18,843)</u>
Net cash (used) by operating activities	<u>(1,018,670)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	(985)
Operating grants	1,026,323
Other revenue	<u>4,908</u>
Net cash provided by noncapital financing activities	<u>1,030,246</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Gain on sale of fixed assets	70
Capital grants	69,555
Payments for capital acquisitions	<u>(74,426)</u>
Net cash (used) by and related financing activities	<u>(4,801)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Certificates of deposits matured	(323)
Receipts of interest and dividends	<u>2,457</u>
Net cash provided by investing activities	<u>2,134</u>

Net increase(decrease) in cash	8,909
Cash, beginning	<u>183,769</u>
Cash, ending	<u>\$ 192,678</u>

DOWAGIAC HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended September 30, 2004
=====

Reconciliation of cash and cash equivalents
per statement of cash flows to the balance
sheet:

Cash	\$ 192,678
Restricted cash	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 192,678</u>

SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:

Operating income(loss)	\$(1,166,767)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	150,296
Bad debt allowance	(3,941)
Adjustments	199
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	4,078
Prepaid expenses	2,421
Increase (decrease) in liabilities:	
Accounts payable	4,963
Accrued wage/payroll taxes payable	2,464
Accrued compensated absences	185
Accrued payments in lieu of taxes	(10,860)
Other current liabilities	(1,514)
Deferred revenues	<u>(194)</u>
Net cash (used) by operating activities	<u>\$(1,018,670)</u>

See notes to financial statements

DOWAGIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Dowagiac Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

The Dowagiac Housing Commission is a component unit of the City of Dowagiac, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Dowagiac on September 2, 1970, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Dowagiac Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3072, the Housing Commission constructed, maintains and operates 86 units of subsidized housing in the City of Dowagiac, Michigan. The Housing Commission manages a Housing Choice Voucher program of subsidies for 115 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

The Housing Commission has an agreement with Tri City Village (a nonprofit organization in Watervliet) to collect HUD grant monies to operate 56 low-income units under the Section 8 New Construction Program under Contract C-8077.

DOWAGIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the

DOWAGIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (continued)

balance sheets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City of Dowagiac has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

DOWAGIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$300 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Equipment and furnishings	5 - 10 years
Building improvements	5 - 20 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-Fy 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

DOWAGIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation time is not cumulative and shall be taken during the calendar year following the one in which it was earned. If unused vacation time is not taken as directed, the unused vacation time will be forfeited and may not be carried over into the next succeeding year.
- * Sick pay is earned at a rate of one day per month and can accumulate without limit. Unused sick pay is paid out at 50 percent upon termination to a maximum of sixty (60) days with several restrictions.
- * Personal leave may be granted for personal reasons without pay.

The amount of accumulated benefits at September 30, 2004, was \$4,390, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

DOWAGIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 2: CASH AND INVESTMENTS

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.

Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.

Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Housing Commission's deposits may have been higher than the September 30, 2004, balances detailed below. This means that the Housing Commission's risk and exposure could have been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

DOWAGIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 2: CASH AND INVESTMENTS (Continued)

<u>Depository Balances by Category</u>					<u>Carrying Value</u>
<u>Depository</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	
Standard Federal Bank	\$ 32,910	\$	\$	\$ 32,910	\$ 32,910
Berrien Teachers Credit Union	16,645			16,645	16,645
U.S. Government Securities Fund	27,811			27,811	27,811
Huntington National Bank	<u>133,633</u>			<u>133,633</u>	<u>131,507</u>
Total Deposits	<u>\$210,999</u>	<u>\$</u>	<u>\$</u>	<u>\$210,999</u>	208,873
Petty cash					<u>300</u>
					<u>\$209,173</u>
Reconciliation to Cash on Balance Sheet					
Cash					\$192,678
Unrestricted investments					<u>16,495</u>
Total					<u>\$209,173</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At September 30, 2004, the receivables were \$4,100 with \$119 estimated as uncollectible. Bad debt expense was \$18,532.

Accounts Receivables - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at September 30, 2004 were as follows:

Capital Fund Program	\$ 4,448
Housing Choice Voucher Program	<u>17,808</u>
	<u>\$ 22,256</u>

DOWAGIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 3: RECEIVABLES AND PAYABLES (Continued)

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ 63,122	Low Rent Program	\$ 47,783
Capital Fund Program	20,401	Capital Fund Program	4,448
Section 8 New Construction Program	<u>27,382</u>	Housing Choice Vouchers Program	<u>58,674</u>
	<u>\$110,905</u>		<u>\$110,905</u>

The capital fund program transferred \$10,394 to the Low Rent Program during the fiscal year ended September 30, 2004.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004 was as follows:

	<u>Balance 09/30/03</u>	<u>Additions/Retirements/ Transfers</u>	<u>Transfers</u>	<u>Balance 09/30/04</u>
Low Rent Program				
Land	\$ 62,513	\$		\$ 62,513
Buildings	3,464,548	630		3,465,178
Furniture, equip. & machinery - dwellings	66,810		10,117	56,693
Furniture, equip. & machinery - administration	149,797	4,241		154,038
Building improvements	<u>202,610</u>			<u>202,610</u>
	3,946,278	<u>\$ 4,871</u>	<u>\$ 10,117</u>	3,941,032
Less accumulated depreciation	<u>(2,746,594)</u>	<u>\$(146,717)</u>	<u>\$ 10,117</u>	<u>(2,883,194)</u>
Total	<u>\$1,199,684</u>			<u>\$1,057,838</u>

DOWAGIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>09/30/03</u>	<u>Additions/Retirements/</u> <u>Transfers Transfers</u>	<u>Balance</u> <u>09/30/04</u>
Capital Fund Program			
Buildings	\$	\$ 27,903	\$ 27,903
Furniture, equip. & machinery - dwellings	6,150	12,300	18,450
Building improvements	<u>29,352</u>	<u>29,352</u>	<u>29,352</u>
	6,150	<u>\$ 69,555</u>	75,705
Less accumulated depreciation	<u>(73)</u>	<u>\$ (2,923)</u>	<u>(2,996)</u>
	<u>\$ 6,077</u>		<u>\$ 72,709</u>
Housing Choice Voucher Program			
Buildings	\$ 1,984	\$	\$ 1,984
Furniture, equip. and machinery- administration	<u>24,202</u>	<u>24,202</u>	<u>24,202</u>
	26,186	<u>\$</u>	26,186
Less accumulated depreciation	<u>(25,861)</u>	<u>\$ (300)</u>	<u>(26,161)</u>
Total	<u>\$ 325</u>		<u>\$ 25</u>
New Construction Section 8 Program			
Furniture, equip. & machinery - administration	<u>\$ 6,089</u>	<u>\$</u>	<u>\$ 6,089</u>
	6,089	<u>\$</u>	6,089
Less accumulated depreciation	<u>(5,073)</u>	<u>\$ (356)</u>	<u>(6,059)</u>
Total	<u>\$ 1,016</u>		<u>\$ 30</u>
Combined Totals			<u>\$1,130,602</u>

DOWAGIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 5: CONTRIBUTED CAPITAL

Changes in invested in capital assets (formerly contributed capital) in the enterprise fund type for the year ended September 30, 2004, consist of the following:

	<u>Invested in Capital Assets</u>
Balance, beginning	\$ 906,883
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	<u>223,719</u>
Balance, ending	<u>\$ 1,130,602</u>

These reclassifications are investments in fixed assets, net of depreciation paid for from operations, not included in contributed capital.

NOTE 6: OTHER INFORMATION

A. Pension Plan

Each employee is covered under a defined benefit plan with the Michigan Municipal Employees Retirement System (MERS) that provides for annual employer contributions with complete vesting after 10 years of service and normal retirement age at 60 years of age. At December 31, 2002, the date of the last completed actuarial evaluation, the Housing Commission's actuarial accrued liabilities for retirement benefits was \$29,204. The valuation of assets to meet this obligation was \$65,226, therefore the overfunded amount is \$36,022. The Housing Commission computed employer contributions as a percentage of payroll of 6.66% for general employees and 12.74% (normal cost) for the Executive Director (of unfunded accrued liability and normal costs) of payroll to cover the employer's cost for current benefits. The minimum required contribution is 4.83% of general employees and 0.00% of the Executive Director wages and an estimated annual contribution of \$2,088. The Housing Commission made total employer retirement contributions of \$228.13 on covered wages of \$73,771 during the year ended September 30, 2003. There are three (3) active members, one (1) vested former member, and no retirees and beneficiaries.

DOWAGIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 6: OTHER INFORMATION (Continued)

B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Implementation of New Accounting Standard

As of and for the year ended September 30, 2004, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

E. Prior Period Adjustments, Equity Transfers and Correction of Errors

Low Rent Program

To void check #2831 dated 08/08/03 issued to IREM \$ 200

New Construction Section 8 Program

Adjust for rounding per HUD-52681 for FYE 09/30/03 \$(1)

DOWAGIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 7: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes four separate programs which provide housing assistance and grant programs. Segment information for the year ended September 30, 2004, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>	<u>New Construction</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Dwelling and nondwelling rents	\$ 196,465	\$	\$	\$
Depreciation	(146,717)	(2,923)	(300)	(356)
Other operating expenses	(405,851)	(38,171)	(481,179)	(287,735)
Operating(loss)	(356,103)	(41,094)	(481,479)	(288,091)
Nonoperating revenues:				
Investment earnings	1,666		397	397
Other income	4,908			
Gain on sale of fixed assets	70			
Operating grants	161,979	48,565	468,616	290,406
Capital grants		69,555		
Operating transfers	10,394	(10,394)		
Change in net assets	(177,086)	66,632	(12,466)	2,712
Beginning net assets	1,319,465	6,077	31,725	36,179
Prior period adjustments	200			(1)
Ending net assets	<u>\$ 1,142,579</u>	<u>\$ 72,709</u>	<u>\$ 19,259</u>	<u>\$ 38,890</u>

DOWAGIAC HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2004
=====

NOTE 7: SEGMENT INFORMATION (Continued)

	<u>Low Rent</u> <u>Program</u>	<u>Capital</u> <u>Fund</u> <u>Program</u>	<u>Housing</u> <u>Choice</u> <u>Vouchers</u>	<u>New</u> <u>Construction</u>
Condensed Statement of Cash Flows				
Net cash provided				
(used) by:				
Operating				
activities	\$(213,253)	\$(38,171)	\$(479,660)	\$(287,586)
Nonoperating				
financing				
activities	196,074	38,171	477,694	318,307
Capital and				
related				
financing				
activities	(4,801)			
Investing				
activities	<u>1,340</u>	<u>397</u>	<u>397</u>	<u>397</u>
Net increase				
(decrease)	(20,640)		(1,569)	31,118
Beginning cash and				
cash equivalents	<u>116,879</u>	<u>65,882</u>	<u>1,008</u>	<u>1,008</u>
Ending cash and cash				
equivalents	<u>\$ 96,239</u>	<u>\$ 64,313</u>	<u>\$ 32,126</u>	<u>\$ 32,126</u>

NOTE 8: SUBSEQUENT EVENTS

The Housing Commission on October 11, 2004, terminated the Executive Director, Mr. Scott Banninga. He later plead guilty to a misdemeanor charge in a plea agreement with the United States Attorneys Office for the Western District of Michigan. Mr. Banninga misappropriated government funds in violation of Title 18, United States Code, Section 641. Between January 2003 and September 2004, Mr. Banninga charged personal expenses of less than \$1,000.00 to a credit card issued to Dowagiac Housing Commission and allowed them to be paid by the Dowagiac Housing Commission. At the time of this activity, Dowagiac Housing Commission was funded by the United States government, through the Department of Housing and Urban Development. Mr. Banninga owes the Housing Commission an amount of \$2,298.13 in the form of punitive damages.

SUPPLEMENTARY INFORMATION

DOWAGIAC HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
 September 30, 2004
 =====

C-3072 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
--	---

ASSETS

Current assets:

Cash	\$ 96,239	\$ 4,448
Accounts receivable-HUD		
Accounts receivable-tenant	4,100	
Allowance for doubtful accounts	(119)	
Accrued interest receivable	18	
Investments-unrestricted	16,495	
Prepaid expenses	6,315	
Due from other programs	<u>63,122</u>	<u>20,401</u>
 Total current assets	 <u>186,170</u>	 <u>24,849</u>

Property, plant, and equipment:

Land	62,513	
Buildings	3,465,178	27,903
Equipment	210,731	18,450
Building improvements	<u>202,610</u>	<u>29,352</u>
	3,941,032	75,705
Less accumulated depreciation	<u>(2,883,194)</u>	<u>(2,996)</u>
 Net property, plant and equipment	 <u>1,057,838</u>	 <u>72,709</u>
 Total Assets	 <u>\$1,244,008</u>	 <u>\$ 97,558</u>

Housing Choice Vouchers 14.871	New Construction Section 8 Program 14.182	Totals
\$ 64,313	\$ 32,126	\$ 192,678
17,808		22,256
		4,100
		(119)
		18
		16,495
		6,315
	27,382	110,905
<u>82,121</u>	<u>59,508</u>	<u>352,648</u>
1,984		62,513
24,202	6,089	3,495,065
		259,472
		231,962
26,186	6,089	4,049,012
(26,161)	(6,059)	(2,918,410)
<u>25</u>	<u>30</u>	<u>1,130,602</u>
<u>\$ 82,146</u>	<u>\$ 59,538</u>	<u>\$ 1,483,250</u>

DOWAGIAC HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
 September 30, 2004
 =====

C-3072	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

LIABILITIES and NET ASSETS

Current liabilities:

Accounts payable	\$ 24,602	\$
Tenant security deposit liability	18,107	
Accrued expenses	7,687	
Deferred revenues	358	20,401
Due to other programs	<u>47,783</u>	<u>4,448</u>
Total current liabilities	98,537	24,849

Noncurrent liabilities:

Accrued compensated absences	<u>2,892</u>	
Total liabilities	<u>101,429</u>	<u>24,849</u>

Net Assets:

Invested in capital assets	1,057,838	72,709
Unrestricted net assets	<u>84,741</u>	
Total net assets	<u>1,142,579</u>	<u>72,709</u>
Total Liabilities and Net Assets	<u>\$1,244,008</u>	<u>\$ 97,558</u>

Housing Choice Vouchers <u>14.871</u>	New Construction Section 8 Program <u>14.182</u>	<u>Totals</u>
\$ 1,098	\$ 20,493	\$ 46,193
2,993	141	18,107
<u>58,674</u>	<u> </u>	<u>10,821</u>
62,765	20,634	20,759
		<u>110,905</u>
<u>122</u>	<u>14</u>	<u>3,028</u>
<u>62,887</u>	<u>20,648</u>	<u>209,813</u>
25	30	1,130,602
<u>19,234</u>	<u>38,860</u>	<u>142,835</u>
<u>19,259</u>	<u>38,890</u>	<u>1,273,437</u>
<u>\$ 82,146</u>	<u>\$ 59,538</u>	<u>\$ 1,483,250</u>

DOWAGIAC HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS**
 Year Ended September 30, 2004
 =====

	C-3072 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 177,162	\$
Nondwelling rent	<u>19,303</u>	<u></u>
Total operating revenues	<u>196,465</u>	<u></u>
OPERATING EXPENSES:		
Administration	103,585	38,171
Tenant services	8,573	
Utilities	91,647	
Ordinary maintenance and operation	155,702	
General expenses	46,344	
Housing assistance payments		
Depreciation	<u>146,717</u>	<u>2,923</u>
Total operating expenses	<u>552,568</u>	<u>41,094</u>
Operating income(loss)	(356,103)	(41,094)
NONOPERATING REVENUES:		
Operating transfers in (out)	10,394	(10,394)
Investment interest income	1,666	
Other income	4,908	
Gain on sale of fixed assets	70	
Capital grants		69,555
Operating grants	<u>161,979</u>	<u>48,565</u>
Total nonoperating revenues	<u>179,017</u>	<u>107,726</u>
Change in net assets	(177,086)	66,632
Net assets, beginning	1,319,465	6,077
Prior period adjustments, equity transfers and correction of errors	<u>200</u>	<u></u>
Net assets, ending	<u>\$1,142,579</u>	<u>\$ 72,709</u>

Housing Choice Vouchers <u>14.871</u>	New Construction Section 8 Program <u>14.182</u>	<u>Totals</u>
\$	\$	\$ 177,162
		<u>19,303</u>
		<u>196,465</u>
60,333	9,841	211,930
		8,573
		91,647
		155,702
1,769		48,113
419,077	277,894	696,971
<u>300</u>	<u>356</u>	<u>150,296</u>
<u>481,479</u>	<u>288,091</u>	<u>1,363,232</u>
(<u>481,479</u>)	(<u>288,091</u>)	(<u>1,166,767</u>)
397	397	2,460
		4,908
		70
		69,555
<u>468,616</u>	<u>290,406</u>	<u>969,566</u>
<u>469,013</u>	<u>290,803</u>	<u>1,046,559</u>
(12,466)	2,712	(120,208)
31,725	36,179	1,393,446
	(<u>1</u>)	<u>199</u>
<u>\$ 19,259</u>	<u>\$ 38,890</u>	<u>\$ 1,273,437</u>

DOWAGIAC HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
 Year Ended September 30, 2004
 =====

	C-3072 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 200,349	\$
Cash payments to other suppliers of goods and services	(238,546)	(5,719)
Cash payments to employees for services	(156,213)	(32,452)
Cash payments for in lieu of taxes	<u>(18,843)</u>	<u></u>
Net cash (used) by operating activities	<u>(213,253)</u>	<u>(38,171)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tenant security deposits	(985)	
Due from/to other funds	(4,222)	(27,380)
Operating transfers in (out)	10,394	(10,394)
Operating grants	185,979	75,945
Other revenue	<u>4,908</u>	<u></u>
Net cash provided by noncapital financing activities	<u>196,074</u>	<u>38,171</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Gain on sale of fixed assets	70	
Capital grants		69,555
Payments for capital acquisitions	<u>(4,871)</u>	<u>(69,555)</u>
Net cash (used) by capital and related financing activities	<u>(4,801)</u>	<u></u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certificates of deposits matured	(323)	
Receipts of interest and dividends	<u>1,663</u>	<u></u>
Net cash provided by investing activities	<u>1,340</u>	<u></u>
Net increase(decrease) in cash	(20,640)	
Cash, beginning	<u>116,879</u>	<u></u>
Cash, ending	<u>\$ 96,239</u>	<u>\$</u>

Housing Choice Vouchers 14.871	New Construction Section 8 Program 14.182	Totals
\$	\$	\$ 200,349
(443,890)	(284,560)	(972,715)
(35,770)	(3,026)	(227,461)
		(18,843)
(479,660)	(287,586)	(1,018,670)
30,974	628	(985)
446,720	317,679	1,026,323
		4,908
477,694	318,307	1,030,246
		70
		69,555
		(74,426)
		(4,801)
397	397	(323)
		2,457
397	397	2,134
(1,569)	31,118	8,909
65,882	1,008	183,769
\$ 64,313	\$ 32,126	\$ 192,678

DOWAGIAC HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended September 30, 2004
 =====

C-3072	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH
 EQUIVALENTS PER STATEMENT OF CASH
 FLOWS TO THE BALANCE SHEET:**

Cash	\$ 96,239	\$
Restricted cash		
	<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 96,239</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME
 TO NET CASH FLOW FROM OPERATING
 ACTIVITIES:**

Operating income(loss)	\$ (356,103)	\$ (41,094)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	146,717	2,923
Bad debt allowance	(3,941)	
Adjustments	200	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	4,078	
Prepaid expenses	2,421	
Increase (decrease) in liabilities:		
Accounts payable	4,274	
Accrued wage/payroll taxes payable	1,246	
Accrued compensated absences	423	
Accrued payments in lieu of taxes	(10,860)	
Other current liabilities	(1,514)	
Deferred revenues	<u>(194)</u>	
Net cash (used) by operating activities	<u>\$ (213,253)</u>	<u>\$ (38,171)</u>

Housing Choice Vouchers <u>14.871</u>	New Construction Section 8 Program <u>14.182</u>	<u>Totals</u>
\$ 64,313	\$ 32,126	\$ 192,678
<u>\$ 64,313</u>	<u>\$ 32,126</u>	<u>\$ 192,678</u>
\$ (481,479)	\$ (288,091)	\$ (1,166,767)
300	356	150,296
	(1)	(3,941)
		199
		4,078
		2,421
550	139	4,963
1,182	36	2,464
(213)	(25)	185
		(10,860)
		(1,514)
		(194)
<u>\$ (479,660)</u>	<u>\$ (287,586)</u>	<u>\$ (1,018,670)</u>

DOWAGIAC HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended September 30, 2004
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal</u> <u>Year</u>	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2004	Low Rent Public Housing	14.850	\$ 161,979
	<u>Public and Indian Housing</u> <u>Major - Direct Program</u>		
2004	Capital Fund Program	14.872	118,120
	<u>Low Income Public Housing</u> <u>Major - Direct Program</u>		
2004	Housing Choice Vouchers	14.871	468,616
	<u>Low Income Public Housing</u> <u>Nonmajor - Direct Program</u>		
2004	New Construction Section 8 Programs	14.182	<u>290,406</u>
	Total		<u>\$1,039,121</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

DOWAGIAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE
Year Ended September 30, 2004

=====

FDS Line Item No.		C-3072 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 87,700	\$
114	Cash-tenant security deposits	<u>8,539</u>	<u></u>
100	Total cash	<u>96,239</u>	<u></u>
	Receivables:		
122	A/R-HUD other projects		4,448
126	A/R-tenants-dwelling rents	4,100	
126.1	Allowance for doubtful accounts - dwelling rents	(119)	
129	Accrued interest receivable	<u>18</u>	<u></u>
120	Total receivables, net of allowance for doubtful accounts	<u>3,999</u>	<u>4,448</u>
	Current Investments:		
131	Investments-unrestricted	<u>16,495</u>	<u></u>
	Other Current Assets:		
142	Prepaid expenses and other assets	6,315	
144	Interprogram due from	<u>63,122</u>	<u>20,401</u>
	Total other current assets	<u>69,437</u>	<u>20,401</u>
150	Total current assets	<u>186,170</u>	<u>24,849</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	62,513	
162	Buildings	3,465,178	27,903
163	Furn, equip & mach-dwellings	56,693	18,450
164	Furn, equip & mach-admin.	154,038	
165	Building improvements	202,610	29,352
166	Accumulated depreciation	<u>(2,883,194)</u>	<u>(2,996)</u>
160	Total fixed assets, net of accumulated depreciation	<u>1,057,838</u>	<u>72,709</u>
180	Total noncurrent assets	<u>1,057,838</u>	<u>72,709</u>
190	Total Assets	<u>\$ 1,244,008</u>	<u>\$ 97,558</u>

Housing Choice Vouchers 14.871	New Construction Section 8 Program 14.182	Totals
\$ 64,313	\$ 32,126	\$ 184,139
		8,539
<u>64,313</u>	<u>32,126</u>	<u>192,678</u>
17,808		22,256
		4,100
		(119)
		<u>18</u>
<u>17,808</u>		<u>26,255</u>
		<u>16,495</u>
		6,315
	<u>27,382</u>	<u>110,905</u>
	<u>27,382</u>	<u>117,220</u>
<u>82,121</u>	<u>59,508</u>	<u>352,648</u>
1,984		62,513
		3,495,065
24,202	6,089	75,143
		184,329
		231,962
(<u>26,161</u>)	(<u>6,059</u>)	(<u>2,918,410</u>)
<u>25</u>	<u>30</u>	<u>1,130,602</u>
<u>25</u>	<u>30</u>	<u>1,130,602</u>
<u>\$ 82,146</u>	<u>\$ 59,538</u>	<u>\$ 1,483,250</u>

DOWAGIAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended September 30, 2004
 =====

FDS Line Item No.		C-3072 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 16,619	\$
321	Accrued wage/payroll taxes payable	6,530	
322	Accrued compensated absences	1,157	
333	Accounts payable-other government	7,983	
341	Tenant security deposits	18,107	
342	Deferred revenues	358	20,401
347	Interprogram due to	<u>47,783</u>	<u>4,448</u>
310	Total current liabilities	<u>98,537</u>	<u>24,849</u>
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>2,892</u>	
350	Total noncurrent liabilities	<u>2,892</u>	
300	Total liabilities	<u>101,429</u>	<u>24,849</u>
	Net Assets:		
508.1	Invested in capital assets	<u>1,057,838</u>	<u>72,709</u>
508	Total invested in capital assets	1,057,838	72,709
512.1	Unrestricted net assets	<u>84,741</u>	
513	Total Net Assets	<u>1,142,579</u>	<u>72,709</u>
600	Total Liabilities and Net Assets	<u>\$ 1,244,008</u>	<u>\$ 97,558</u>

Housing Choice Vouchers <u>14.871</u>	New Construction Section 8 Program <u>14.182</u>	<u>Total</u>
\$ 1,098	\$ 273	\$ 17,990
2,809	120	9,459
184	21	1,362
	20,220	28,203
		18,107
		20,759
<u>58,674</u>		<u>110,905</u>
<u>62,765</u>	<u>20,634</u>	<u>206,785</u>
<u>122</u>	<u>14</u>	<u>3,028</u>
<u>122</u>	<u>14</u>	<u>3,028</u>
<u>62,887</u>	<u>20,648</u>	<u>209,813</u>
<u>25</u>	<u>30</u>	<u>1,130,602</u>
25	30	1,130,602
<u>19,234</u>	<u>38,860</u>	<u>142,835</u>
<u>19,259</u>	<u>38,890</u>	<u>1,273,437</u>
<u>\$ 82,146</u>	<u>\$ 59,538</u>	<u>\$ 1,483,250</u>

DOWAGIAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended September 30, 2004

=====

FDS Line Item No.		C-3072 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 177,162	\$
704	Tenant revenue-other	<u>19,303</u>	<u></u>
705	Total tenant revenue	196,465	
706	HUD PHA grants	161,979	48,565
706.1	Capital grants		69,555
711	Investment income-unrestricted	1,666	
715	Other revenue	4,908	
716	Gain/loss on sale of fixed assets	<u>70</u>	<u></u>
700	Total revenue	<u>365,088</u>	<u>118,120</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	32,858	30,500
912	Auditing fees	1,200	1,000
914	Compensated absences	424	
915	Employee benefit contributions-adm.	23,214	1,952
916	Other operating-administrative	45,889	4,719
	Tenant Services:		
921	Tenant services-salaries	2,000	
924	Tenant services-other	6,573	
	Utilities:		
931	Water	33,181	
932	Electricity	54,372	
933	Gas	4,094	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	73,145	
942	Ordinary maint & oper-mat'ls & other	30,471	
943	Ordinary maint & oper-contract costs	25,845	
945	Employee benefit contributions	26,241	
	General expenses:		
961	Insurance premiums	19,829	
962	Other general expenses		
963	Payments in lieu of taxes	7,983	
964	Bad debt - tenant rents	<u>18,532</u>	<u></u>
969	Total operating expenses	<u>405,851</u>	<u>38,171</u>
970	Excess operating revenue over operating expenses	<u>(40,763)</u>	<u>79,949</u>

Housing Choice Vouchers 14.871	New Construction Section 8 Program 14.182	Total
\$	\$	\$
		177,162
		19,303
		196,465
468,616	290,406	969,566
		69,555
397	397	2,460
		4,908
		70
<u>469,013</u>	<u>290,803</u>	<u>1,243,024</u>
27,440	2,096	92,894
1,500	500	4,200
(214)	(25)	185
9,513	966	35,645
22,094	6,304	79,006
		2,000
		6,573
		33,181
		54,372
		4,094
		73,145
		30,471
		25,845
		26,241
		19,829
1,769		1,769
		7,983
		18,532
<u>62,102</u>	<u>9,841</u>	<u>515,965</u>
<u>406,911</u>	<u>280,962</u>	<u>727,059</u>

DOWAGIAC HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended September 30, 2004
 =====

FDS Line Item No.	C-3072 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
Expenses continued:		
Other expenses:		
973	Housing assistance payments	
974	Depreciation expense	<u>2,923</u>
	Total other expenses	<u>2,923</u>
900	Total expenses	<u>41,094</u>
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(187,480) 77,026
Other Financing Sources(Uses):		
1001	Operating transfers in (out)	<u>(10,394)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(177,086) 66,632
1103	Beginning Net Assets	1,319,465 6,077
1104	Prior period adjustments, equity transfers and correction of errors	<u>200</u>
	Ending Net Assets	<u>\$ 1,142,579</u> <u>\$ 72,709</u>

Housing Choice Vouchers <u>14.871</u>	New Construction Section 8 Program <u>14.182</u>	<u>Totals</u>
419,077	277,894	696,971
<u>300</u>	<u>356</u>	<u>150,296</u>
419,377	278,250	847,267
<u>481,479</u>	<u>288,091</u>	<u>1,363,232</u>
(12,466)	2,712	(120,208)
<u> </u>	<u> </u>	<u> </u>
(12,466)	2,712	(120,208)
31,725	36,179	1,393,446
<u> </u>	<u>(1)</u>	<u>199</u>
<u>\$ 19,259</u>	<u>\$ 38,890</u>	<u>\$ 1,273,437</u>

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Dowagiac Housing Commission
Dowagiac, Michigan

We have audited the financial statements of the business-type activities of the Dowagiac Housing Commission, Michigan, (Housing Commission) as of and for the year ended September 30, 2004, which collectively comprise the Housing Commission's basic financial statements and have issued our report thereon dated May 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Dowagiac Housing Commission
Page Two

Compliance and Other Matters (continued)

compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the Housing Commission, in a separate letter dated May 20, 2005.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Samy E. Taudelle, CPA, PC

May 20, 2005

**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Dowagiac Housing Commission
Dowagiac, Michigan

Compliance

We have audited the compliance of the Dowagiac Housing Commission , Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on the Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Dowagiac Housing Commission
Page Two

Compliance (continued)

In our opinion, the Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sam E. Vandell, CPA, PL

May 20, 2005

DOWAGIAC HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2004
=====

A. Summary of Audit Results

Financial Statements

1. Type of Auditor's Report issued: Unqualified
2. Internal control over financial reporting:
 - a. Material weakness identified No
 - b. Reportable condition identified that is not a material weakness No
3. Noncompliance material to financial statements: No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness identified No
 - b. Reportable condition that is not a material weakness No
2. Type of auditor's report issued on compliance for major programs Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 No
4. Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>	<u>Amount Expended</u>	<u>Major Program</u>	<u>Compliance Requirement</u>	<u>Questioned Costs</u>	<u>Audit Finding</u>
14.850	Low Rent Public Housing	\$ 161,979	No	O	N/A	N/A
14.872	Capital Fund Program	118,120	Yes	O	N/A	N/A
14.182	New Construction Section 8 Program	290,406	No	O	N/A	N/A
14.871	Housing Choice Vouchers	<u>468,616</u>	Yes	O	N/A	N/A

Total \$1,039,121

5. Dollar threshold used to distinguish between type A and type B programs \$300,000
6. Auditee qualified as low-risk auditee? No

DOWAGIAC HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
September 30, 2004
=====

B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

DOWAGIAC HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
September 30, 2004
=====

NONE

DOWAGIAC HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2004
=====

<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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There were no audit adjusting journal entries.

DOWAGIAC HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

SEPTEMBER 30, 2004

DOWAGIAC HOUSING COMMISSION
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SEPTEMBER 30, 2004

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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Dowagiac Housing Commission

We have audited the financial statements of the Dowagiac Housing Commission ("Housing Commission") as of and for the year ended September 30, 2004, and have issued our report, thereon, dated May 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing our audit of the financial statements, we considered your internal control in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in our judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see adjusting journal entries on page 5).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To our knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to our retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, we would welcome the opportunity to discuss them with you.

Sary E. Landolt, CPA, PC

May 20, 2005

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Dowagiac Housing Commission

We have audited the financial statements of the Dowagiac Housing Commission ("Housing Commission") as of and for the year ended September 30, 2004, and have issued our report, thereon, dated May 20, 2005. We have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to our attention during the audit, are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Housing Commission's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

May 20, 2005

DOWAGIAC HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
September 30, 2004

=====

Credit Card Policy

The Housing Commission does not have a separate credit card policy.

Even if the Housing Commission does not currently have a credit card, we recommend that the Housing Commission adopt a credit card policy, since staff has indicated to me that the Housing Commission has applied for a credit card for the purpose of making reservations for travel. The policy would describe which staff members can use the card and how much of a limit is allowable. The Local of Audit Division of the Department of Treasury for the State of Michigan requires a policy if credit cards are used.

Procurement

Currently the Housing Commission's procurement policy requires bidding for purchases over \$1,000.00.

We recommend that the policy be revised setting a larger limit.

DOWAGIAC HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
September 30, 2004

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<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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There were no audit adjusting journal entries.